DOCUMENT RESUME

ED 254 169 HE 018 134

TITLE	Audit Guide: Student Financial Assistance Programs.
INSTITUTION	Office of Inspector General (ED), Washington, DC.
PUB DATE	Mar 84
NOTE	63p.; For related documents, see HE 018 112-135 and HE 018 137-140.
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Accountability; *Accounting; *Compliance (Legal); Eligibility; *Federal Aid; Federal Regulation; Financial Aid Applicants; Grants; Higher Education; *Management Information Systems; Money Management; Quality Control; Reports; *Student Financial Aid; Student Loan Programs; Student Responsibility; Work Study Programs
IDENTIFIERS	*Audits; College Work Study Program; Guaranteed Student Loan Program; National Direct Student Loan Program; *Office of Student Financial Assistance; Pell Grant Program; Supplemental Educational Opportunity Grants

ABSTRACT

An audit guide to assist independent public accountants in performing audits of federal student financial assistance (SFA) programs is presented. The audit assists the Department of Education in determining whether a recipient has (1) provided financial data, including basic financial statements and other financial reports; (2) maintained a system of internal control over the receipt and expenditures of funds; and (3) complied with the terms and conditions of federal awards. Compliance requirements are reviewed, including: cash management, financial reporting, institutional eligibility and participation, coordination of student aid programs, student file maintenance, fiscal procedures and recordkeeping, student eligibility, institutional disbursements to award recipients, and refund calculation and overpayment determination procedures. Specific compliance requirements for the following programs are also covered: Pell Grant, campus-based programs (general), National Direct Student Loan, College Work Study, Supplemental Educational Opportunity Grant, and Guaranteed Student Loan. Reporting requirements are also examined, with selected sample reports. Appended are a bibliography, addresses and phone numbers of the regional inspectors general for audit, and OSFA regional and headquarters program contacts. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

AUDIT GUIDE

STUDENT FINANCIAL ASSISTANCE PROGRAMS

National Direct Student Loan Program (NDSL)
College Work-Study Program (CWS)
Supplemental Educational Opportunity Grant Program (SEOG)
Pell Grant Program
Guaranteed Student Loan Program (GSL)

U.S. Department of Education
Office of Inspector General
Office of Audit

March 1984

TABLE OF CONTENTS

	PAGE
SECTION I - AUDIT PLANNING AND OTHER CONSIDERATIONS	1
PURPOSE OF AUDIT GUIDE	1
AUDIT APPROACH	1
AUDIT AUTHORIZATION AND DUE DATES	2
MATTERS REQUIRING IMMEDIATE ACTION	3
PLANNING OF AUDIT	3
SECTION II - COMPLIANCE REQUIREMENTS	4
OVERVIEW	4
GENERAL COMPLIANCE REQUIREMENTS	5
I CASH MANAGEMENT	5
II FINANCIAL REPORTING	6
III INSTITUTIONAL ELIGIBILITY AND PARTICIPATION	7
IV COORDINATION OF STUDENT AID PROGRAMS	8
V STUDENT FILE MAINTENANCE FISCAL PROCEDURES AND RECORD KEEPING	8
VI STUDENT ELIGIBILITY	9
VII INSTITUTIONAL DISBURSEMENTS TO AWARD RECIPIENTS	11
VIII REFUND CALCULATION AND OVERPAYMENT DETERMINATION PROCEDURES	12
SPECIFIC COMPLIANCE REQUIREMENTS	14
PELL GRANT	14
CAMPUS-BASED PROGRAMS (GENERAL)	17
NATIONAL DIRECT STUDENT LOAN	21
COLLEGE WORK STUDY	25
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT	28
GUARANTEED STUDENT LOAN (Including PLUS)	30
SECTION III - REPORTING	34
REPORTING REQUIREMENTS	34
SELECTED SAMPLE REPORTS	36
APPENDIX A - REFERENCE MATERIAL	
APPENDIX B - REGIONAL INSPECTORS GENERAL FOR AUDIT	
APPENDIX C - REGIONAL AND HEADQUARTERS PROGRAM CONTACTS OFFICE OF STUDENT FINANCIAL ASSISTANCE	

SECTION I

AUDIT PLANNING AND OTHER CONSIDERATIONS

PURPOSE OF AUDIT GUIDE

This guide is to assist independent public accountants (IPA) in performing audits of Student Financial Assistance (SFA) programs in accordance with the general standards and the standards for financial and compliance audits of the U.S. General Accounting Office's (GAO) Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1981 Revision, issued by the Comptroller General of the United States (hereinafter referred to as the GAO Standards for Audit). The objectives of an SFA audit are to assist the Department of Education (ED) in determining whether a recipient has (a) provided financial data, including basic financial statements and other financial reports that can be relied upon, (b) maintained a system of internal control over the receipt and expenditures of funds, and (c) complied with the terms and conditions of Federal awards, and thus its claims for Federal assistance were proper and supportable.

This guide is to be used by all recipients of SFA funds which are not subject to either Office of Management and Budget (OMB) Circular A-110, Attachment P or A-102, Attachment P. In addition, until A-110, Attachment P and the corresponding A-110 audit guide are officially issued by OMB, this guide is to be used by all recipients of SFA funds.

This guide is not intended to be a complete manual of procedures, nor is it intended to supplant the auditor's judgment of audit work required. Audit procedures contained herein may not cover all circumstances or conditions encountered in the audit of a particular institution. The auditor should use professional judgment to tailor the procedures so that the audit objectives may be achieved. However, all compliance requirements contained in this guide should be addressed by the auditor. If the auditor desires technical assistance related to performing audits of the SFA programs, the auditor should contact the appropriate Department of Education Regional Inspector General for Audit (See Appendix B).

AUDIT APPROACH

There are two allowable approaches when performing an SFA audit. The first is to integrate the auditing procedures in this guide with the audit of the basic financial statements[1/] of an

---

1/ "Basic Financial Statements" are the entity's general purpose financial statements or similar statements that are prepared in order to report the financial position and/or results of operations of the entity.

institution and to provide an opinion thereon. Supplementary data (schedule of disbursements and expenditures for each SFA program) would also be reported on to satisfy the special informational needs of ED. The second option is for the auditor to limit the audit scope to that necessary to form an opinion on a statement of changes in SFA program fund balances for all SFA funds taken as a whole (the statement of changes) and on supplementary data (schedule of disbursements and expenditures for each SFA program). Under either option, the auditor is required to report on the study and evaluation of internal accounting controls made as a part of the audit of the financial statements or of the statement of changes and to report on the extension of procedures to administrative controls and program compliance matters related to SFA programs.

For guidance in reporting under the alternate approaches, the IPA should refer to the AICPA's SAS No. 14, Special Reports, SAS No. 29, Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents, and SAS No. 30, Reporting on Internal Accounting Control and related interpretations. Also, see Section III of this guide for additional guidance on reporting.

For purposes of reporting on the financial statements and on the study and evaluation of internal accounting controls, materiality should be determined in accordance with SAS No. 47, Audit Risk and Materiality in Conducting an Audit, and SAS No. 20, Required Communication of Material Weaknesses in Internal Accounting Control.

All compliance requirements contained in this guide should be addressed. For purposes of planning and performing the tests for each of the compliance requirements, and for reporting on the adequacy[2/] of the system of administrative controls to assure compliance (see Section II), materiality should be determined based on the universe of SFA funds. The auditor's report on compliance with the applicable laws and regulations should include all instances of noncompliance and questioned costs that come to the auditor's attention.

AUDIT AUTHORIZATION AND DUE DATES

Authority for audit of the NDSL, CWS, SEOG, Pell Grant, and GSL programs is contained in 487(b)(1) of the Higher Education Act of 1965, as amended by Public Law 94-482, Part D, 133.

Audits of the SFA programs are encouraged to be made annually, but are required not less frequently than every two years. If an audit is performed every two years it shall cover the two-year

2/ For purposes of this guide, adequacy can be interpreted as providing a reasonable assurance that the system or procedures, if followed, will result in the intended event or action occurring.

period. In either case, the period to be audited can be based on the entity's fiscal or program year. If the institution receives Campus-based funds, the audit reports must be submitted by March 31 following the end of the program year (which normally ends June 30). If the institution does not receive Campus-based funds, the due date is January 31 following the end of the program year. If special circumstances warrant an extension of the submission date, a request for a revised due date must be submitted to the Office of Student Financial Assistance, Audit Review Branch, P.O. Box 23800, L'Enfant Plaza Station, Washington, D.C. 20026. The request must be received at least 30 days prior to the original submission date.

MATTERS REQUIRING IMMEDIATE ACTION

Although the detection of illegal acts or irregularities is not the primary function of an audit, the auditor should be alert to situations or transactions that may indicate the existence of such conditions. If the auditor becomes aware of illegal acts or irregularities in the audit, he shall promptly notify the recipient management officials above the level of involvement. It is the responsibility of the entity receiving the information to notify the appropriate law enforcement authorities and Department of Education Regional Inspector General for Audit.

The auditor should also use discretion to avoid any actions which would compromise the protection of an individual's rights and the integrity of any official inquiries. For supplemental guidance, see the AICPA's Statements on Auditing Standards No. 16 and No. 17, entitled The Independent Auditor's Responsibility for the Detection of Errors or Irregularities and Illegal Acts by Clients, respectively.

PLANNING OF AUDIT

In planning for an SFA audit, the auditor should be aware that awards are normally administered by more than one organizational component within the institution and that each component may maintain a separate or different system for ensuring compliance. Transactions within each organizational component must be selected and tested for adherence to compliance requirements. The transactions should relate to a sample of awards within the system.

For additional guidance in planning an SFA audit the auditor should become familiar with the AICPA's SAS No. 22, titled Planning and Supervision, and its related interpretation.

SECTION II

COMPLIANCE REQUIREMENTS

OVERVIEW

In addition to the testing necessary to render an opinion on the required financial statement(s) and supplementary data, the auditor should also perform procedures to ensure that the recipient is complying with the laws and regulations affecting the receipt and expenditure of SFA funds. While testing for compliance, the auditor should include those administrative controls that have a direct bearing on the reliability of the SFA program and comment on any deficiencies in the compliance report.

The compliance requirements for SFA programs are divided into two parts within this section. The first part contains the generally applicable requirements that should be considered for any recipient receiving federal funds under the SFA programs. The second part of this section provides the compliance requirements that are specific to the individual programs.

For each program, the following categories are provided:

(a) The objective of the program

(b) A brief description of how the program operates

(c) The major compliance requirements:

- o types of services or products allowed or unallowed
- o eligibility
- o cost sharing and matching requirements
- o program performance
- o reporting requirements
- o specific provisions

(d) Regulatory references

Additionally, each requirement is accompanied by suggested audit procedures that can be used to test for compliance. These are not the only procedures an auditor can use nor are they mandatory. Although each major compliance requirement should be addressed by the auditor, the auditor should apply professional judgment to determine the specific procedures necessary to be applied under the circumstances.

The specific compliance requirements and suggested audit procedures for each program are provided in this guide. However, the auditor should be familiar with the relevant statutes and sections of the code of Federal Regulations to obtain a complete understanding of the compliance requirements. Specific requirements may change periodically, and auditors should be alert to this possibility through their contacts with the auditee organization and by other means.

GENERAL COMPLIANCE REQUIREMENTS

I. CASH MANAGEMENT

Compliance Requirement

Institutions' financial management systems shall include the necessary controls to ensure that program funds are accounted for properly and are used for authorized purposes. If the institution is on the cash request system, the amount of cash in the accounts should not exceed 1 month's need. Schools receiving annual advances in excess of $120,000, and for which a continuing relationship with the Department of Education has existed for at least one year, should be financed through a letter-of-credit rather than the monthly cash request system. Where the institution is on the letter-of-credit system, the amount of cash in the accounts shall be as close to daily needs as administratively possible. (Reference: 34 CFR 675.19, 676.19, 690.74, 690.82, and Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally-Funded Student Financial Aid Programs, October 1981, (The Blue Book)) and ED Payment System Users Manual (Published March 1982)).

Suggested Audit Procedures

a. Review the institution's cash forecasting process and evaluate for adequacy.

b. Review the institution's system for requesting/drawing down SFA funds and evaluate whether it is adequate to keep request for/drawdowns of Federal funds limited to the institution's immediate needs and within the amount authorized for each program.

c. Determine dates and amounts for selected advances, drawdowns and other receipts of SFA funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payment.

d. Determine whether any interest was earned on Federal funds. Interest earned on non-NDSL funds indicates excess cash. If interest was earned on non-NDSL funds, the auditor should report the period of time involved and determine whether the interest was properly returned to the Department of Education. For NDSL, see specific compliance procedures under the NDSL section.

e. Review the institution's system to ensure that SFA program funds are not used for investments or transferred to subaccounts for financing activities other than making awards.

II. FINANCIAL REPORTING

Compliance Requirement

Institutions receiving SFA funds are required to ensure that financial status reports, cash reports, and claims for advances and reimbursements contain reliable financial data, and are presented in accordance with the terms of applicable agreements. Below are some of the reports that should be prepared by institutions:

Fiscal Operations Report and Application to Participate (FISAP Report/ED Form 646)

Report of Defaulted Loans (ED Form 574)

Pell Progress Report (ED Form 255-3)

Pell Validation Roster (ED Form 255-4)

Payment Voucher on Letter of Credit (TFS 5401)

Recipient Cash Advance Request (ED Form 874)

Recipient Report of Expenditures (ED Form 868)

(Reference: ED's Payment System Users Manual)

Individual award agreements contain the specific reporting requirements that the recipient is to follow. Auditors should familiarize themselves with the detailed instructions and the client's system for preparing and submitting federal financial reports. A separate auditor's opinion on these reports is not required. However, as a basis for comments, the auditor should examine a sample of reports and trace the data on these reports to the underlying records on a test basis.

Suggested Audit Procedures

a. Review the procedures for preparing the required financial reports and evaluate for adequacy.

b. Sample financial reports and review for completeness, reasonableness and timeliness of submission.

c. Trace significant data to supporting documentation, i.e., worksheets, ledgers, etc.

d. Review significant adjustments made to the general ledger amounts affecting SFA programs and evaluate for propriety.

III. INSTITUTIONAL ELIGIBILITY AND PARTICIPATION

Compliance Requirement

In order to participate in the Pell or Campus-based programs, an institution must be an eligible institution of higher education: a public or private nonprofit institution of higher education, a proprietary institution of higher education, or a postsecondary vocational institution. In addition to institutions of higher education, vocational schools and certain foreign schools which meet statutory and regulatory requirements may be eligible to participate in the GSL and PLUS programs. (34 CFR 668 Subpart A, 668.11, 682.200, 682.600, 683.10, 683.80 and 690.7)

Suggested Audit Procedures

a. Ascertain whether the institution has a letter from the Eligibility and Agency Evaluation Staff (EAES) which lists the institution's current location and eligible programs.

b. Ascertain the institution's current accreditation status or the status of other means by which it established eligibility.

c. Verify that the eligible programs offered by the institution meet the required minimum length or duration.

Compliance Requirements

Default rates on NDSLs in excess of 20 percent, and student withdrawal rates in excess of 33 percent may impair an institution's capability of adequately administering the Title IV program. (34 CFR 668.16 and 17)

Suggested Audit Procedures

d. Ascertain whether the NDSL default rate exceeded 20 percent and/or the student withdrawal rate exceeded 33 percent.

IV. COORDINATION OF STUDENT AID PROGRAMS

Compliance Requirement

The institution must coordinate the Title IV programs with the other Federal and non-Federal programs of student financial aid it administers and must establish controls to preclude the awarding of assistance in excess of students' financial needs. The institution must assure that it uses all information in its possession regarding a student's Title IV eligibility including: need analysis documents; tax returns; information regarding a student's citizenship; previous educational experience or other factors. (34 CFR 668.16, 674.14, 675.14, 676.14, 674.15, 675.15, 676.15, 682.605 and 683.84)

Suggested Audit Procedures

a. Ascertain procedures for providing for exchange of information among all appropriate institutional offices and evaluate for adequacy.

b. Review selected recipient records and evaluate for adequacy.

c. Test selected recipient records to determine that total aid disbursed to students did not exceed their needs.

V. STUDENT FILE MAINTENANCE, FISCAL PROCEDURES AND RECORD KEEPING

Compliance Requirement

The institution must establish and maintain on a current basis financial records to reflect all financial transactions. The institution must identify disbursements of Pell, NDSL, CWS, SEOG, GSL and PLUS funds separately from all other expenditures. Program and fiscal records must show cost of attendance, student resources, student eligibility and payment, respectively. (34 CFR 668.14, 674.19, 675.19, 676.19, 682.612, 683.91, 690.82 and 690.83)

Suggested Audit Procedures

a. Ascertain the institution's related procedures and review them for adequacy.

b. Review selected accounting and program records and determine whether the institution followed established procedures.

Compliance Requirement

Except for loan records and audit questions, the institution must keep records for an award year for five years after it files its Fiscal Operations Report (for Campus-based funds) and June 30 Progress Report for Pell. For NDSL, the institution must keep repayment records for at least five years from the date of loan assignment, repayment or cancellation. For GSL and PLUS, the institution must keep copies of reports for five years after filing. For GSL, all required records must be kept for five years following the date a student graduates, withdraws or fails to enroll at least half-time for a period for which a GSL was received. For PLUS, the institution must keep all required records for five years following the last date of the period for which the loan was intended. The institution must keep records of any claim or expenditures questioned by Federal audit until resolution of any audit questions. (34 CFR 668.12, 674.19, 675.19, 676.19, 682.612, 683.91 and 690.83)

Suggested Audit Procedures

c. Ascertain procedures for maintaining records and evaluate for adequacy.

d. Test selected records to see whether the institution followed prescribed procedures.

VI. STUDENT ELIGIBILITY

General Compliance Requirements

A grant, loan and/or work-study award may be made only to a student who is a regular student; is enrolled or accepted for enrollment as at least a half-time student in an eligible program; is a U.S. citizen, national, or permanent resident, or in another specified status; has financial need; has signed a Statement of Educational Purpose; is maintaining satisfactory progress in his or her course of study; is admitted (i) with a certificate of graduation from a school providing secondary education, (ii) with a recognized equivalent of such certificate or (iii) who is

beyond the age of compulsory high school attendance in the state in which the institution is located and has the ability to benefit from the education or training offered; does not owe a refund on a Federal grant; and is not in default on a Federally-funded or insured student loan received from or for attendance at the institution at which the student is enrolled, unless he or she had made arrangements satisfactory to the lender to repay the loan; has signed a statement indicating compliance with draft registration requirements. Also, if a student has been accepted into an eligible program, within which that student takes remedial courses, the student would be eligible for Title IV aid. If the student is not accepted into an eligible program until the remedial program has been successfully completed, he/she would not be eligible until accepted into the eligible program.

Exceptions to General Compliance Requirements

There are several exceptions to the general requirements: Pell grants and SEOGs may be made only to undergraduate students; an institution may use up to 10% of its CWS and/or SEOG allocation to fund students enrolled less than half-time; PLUS borrowers do not have to show financial need; PLUS borrowers include parents of dependent undergraduate students.

Effective October 1, 1983, students must indicate compliance with selective service registration requirements in order to be considered eligible students. Effective January 1, 1984, institutions must have satisfactory progress standards which meet the regulatory requirements prescribed in the Federal Register on October 6, 1983 as clarified and revised by the January 1984 "Dear Colleague" letter #84-P-121.

(34 CFR 674.9, 675.9, 676.9, 682.200, 690.4, 676.22, 690.5, 674.2, 675.2, 676.2, 690.2, 682.201, 674.31, 690.3, 668.16(e), 668 Subpart A, 690.75, 668.23, 668.24, 683.11 and 683.84)

Suggested Audit Procedures

a. Review the institution's procedures for determining student eligibility and evaluate for adequacy.

b. Review selected awards and determine adherence to prescribed procedures.

VII. INSTITUTIONAL DISBURSEMENTS TO AWARD RECIPIENTS

Compliance Requirement

If the institution is disbursing Pell or Campus-based funds it must obtain a financial aid transcript if the recipient previously attended another eligible institution. (34 CFR 668.14)

Suggested Audit Procedure

a. Ascertain whether the institution has a procedure to obtain or attempt to obtain transcripts, as required and has transcripts or has documented its attempts in its files.

Compliance Requirement

The various student aid programs have maximums and minimums, as follows:

NDSL - maximums:
(1) $12,000 for graduate students (includes any amounts student received as an undergraduate student)

(2) $ 6,000 for undergraduates with an upper limit of $3,000 on loans to undergraduates during the first 2 years.

SEOG - (1) $ 2,000 maximum for the academic year
(2) $ 200 minimum for the academic year

Pell Grant - the amount of the award varies depending upon the Payment Schedule in effect for the award year involved, but may not be below the minimum or exceed the maximum award established for that year.

(34 CFR 674.31, 676.24 and 690.65)

Suggested Audit Procedures

b. Ascertain whether the institution has established procedures to make awards within limits and evaluate for adequacy.

c. Review selected records and determine whether the institution followed established procedures.

Compliance Requirement

In general, the institution must make at least two equal payments each academic year, for the Pell, SEOG and NDSL programs. For these programs, the institution must make

direct disbursements to students, or if it credits students' accounts, it must give students receipts or otherwise notify students of the method of payment. For CWS, the institution must pay the student directly at least once a month. (34 CFR 674.16, 675.16, 676.16, 690.3, 690.75, 690.76 and 690.78)

Suggested Audit Procedure

d. Test disbursements and related records.

VIII. REFUND CALCULATION AND OVERPAYMENT DETERMINATION PROCEDURES

Compliance Requirement

If a student who received Title IV funds other than CWS is due a refund, the institution must return a portion of the refund to the Title IV program(s) by using the following formula:

$$\text{Student Refund} = \text{x} \frac{\text{Total amount of Title IV (minus CWS earnings) awarded for the payment period}}{\text{Total amount of aid award (minus earnings) for the payment period}}$$

(34 CFR 668.21, 682.608, 682.609, 682.610 and 682 Appendix A, 683.87, 683.88, 683.89 and 683 Appendix A)

Suggested Audit Procedures

a. Ascertain procedures for calculating refunds and allocating refunds to the various ED programs and/or GSL lenders.

b. Review selected records and determine whether prescribed procedures were followed and if refunds were deposited timely in SFA accounts, or were returned to the GSL lender within 40 days.

c. Check to see if NDSL, Pell and SEOG refunds are deposited into appropriate accounts, prior to the next draw down of Federal funds.

Compliance Requirement

The institution is responsible for determining any overpayments to students. Overpayments can commonly occur when a student leaves an institution after receiving a cash disbursement from Pell, SEOG or NDSL programs.

The institution is to use the following formula in determining the amount of overpayment to be returned to the Title IV programs:

$$\text{Amount of Overpayment} \times \frac{\text{Total amount of Title IV aid (exclusive of CWS, GSL and PLUS) awarded for the payment period}}{\text{Total amount of aid (exclusive of CWS, GSL, and PLUS) awarded for the payment period}}$$

(34 CFR 668.21, 674.14, 675.14, 676.14, 690.78, and 690.80 and Federal Student Aid Handbook(s))

Suggested Audit Procedures

d. Ascertain whether the institution has procedures for determining overpayments, notifying and billing students and collecting the overpayment.

e. Ascertain whether the institution has developed written policies allocating Title IV overpayments to the various Title IV funds and evaluate for adequacy.

f. Review selected records and determine whether the institution followed established procedures.

SPECIFIC PROGRAM REQUIREMENTS

PELL GRANT

I. PROGRAM OBJECTIVE

The objective of the Pell Grant, formerly the Basic Educational Opportunity Grant (BEOG), program is to make grants to eligible undergraduate students. The Pell Grant is intended to provide a foundation of financial aid.

II. PROGRAM PROCEDURES

Under the Regular Disbursement System, the program is administered by the Department of Education (ED) and postsecondary educational institutions. Students send applications to a central processor, which provides Student Aid Reports (SARs) to applicants. Students then take the SARs to their institution, which determines award amounts based on the cost of attendance at that institution, the Student Aid Index (SAI) and the enrollment status of the student, by using a Payment Schedule. ED provides funds to the institution based on actual and estimated Pell expenditures.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED OR UNALLOWED

Compliance Requirement

The institution may expend Pell funds only for grants to students and administration of the Pell program. (34 CFR 690.10 and 690.82)

Suggested Audit Procedure

a. Ascertain the institution's related procedures and review them for adequacy.

b. Review selected records and determine whether the institution followed established procedures.

B. ELIGIBILITY

Compliance Requirement

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST-SHARING AND MATCHING REQUIREMENTS

There are no cost-sharing or matching requirements for this program.

D. PROGRAM PERFORMANCE

The institution may make grants only to eligible students. (34 CFR 690.75)

Suggested Audit Procedures

See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

Compliance Requirement

The institution must calculate grants based on the institution's cost of attendance, the SAI and the enrollment status, and disburse funds at prescribed times. (34 CFR 690.51 through 690.58, 690.61 through 690.68, Pell Grant Payment Schedule(s), and Federal Student Aid Handbook(s))

Suggested Audit Procedure

c. Review selected grants to students and determine adherence to prescribed procedures.

Compliance Requirement

The institution must verify the Pell Grant applicant data on those SARs selected by ED for validation before disbursing payment. (34 CFR 690.77 and Pell Grant Validation Handbook(s))

Suggested Audit Procedure

d. Review selected SARs and determine whether prescribed procedures were followed.

Compliance Requirement

The institution may not make a payment to a student prior to registration for the payment period. Credit to a registered student's account may not be made more than 3 weeks before the first day of classes; payment to a student directly may not be made more than 10 days before the first day of classes. The institution must observe cut-off dates for accepting SARs. (34 CFR 690.61 and 690.78)

Suggested Audit Procedures

e. Ascertain whether the institution has procedures for making payments within prescribed timeframes and evaluate for adequacy.

f. Review selected student files and determine whether prescribed procedures were followed.

E. REPORTING REQUIREMENTS

Compliance Requirement

The following financial reports must be submitted periodically:

o Pell Grant Progress Reports

o Pell Grant Validation Rosters

(34 CFR 690.84)

Suggested Audit Procedures

See FINANCIAL REPORTING (II) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

F. SPECIAL PROVISIONS

There are no special provisions for this program.

CAMPUS-BASED PROGRAMS

I. PROGRAM OBJECTIVES

The objectives of each of the three Campus-based programs, National Direct Student Loan (NDSL), College Work-Study (CWS), and Supplemental Educational Opportunity Grant (SEOG), are different, and are described under the specific program headings.

II. PROGRAM PROCEDURES

Postsecondary educational institutions file one application for Federal funds from the three Campus-based programs. Using the funds received, the institutions, in turn, fund students who submit aid applications to the institutions.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED OR UNALLOWED

Compliance Requirement

The institution may expend program funds only for the administration of the programs, which includes awards to students and limited administrative expenses. (34 CFR 674.17, 675.17, 676.17, 674.18, 675.18 and 676.18)

Suggested Audit Procedure

a. Test expenditures and related records.

Compliance Requirements

Up to 5% of the institution's first $2,750,000 of expenditures, plus 4% of the institution's expenditures greater than $2,750,000 and less than $5,500,000 plus 3% of the institution's expenditures in excess of $5,500,000 may be used for administrative expenses. There are additional administrative cost allowances (ACA) and allowable administrative expenditures under CWS and NDSL. The ACA must be used to administer the Title IV programs. (34 CFR 674.8, 674.18, 675.18, 675.32 through 675.34 and 676.18).

Suggested Audit Procedures

b. Test expenditures and related records.

c. Ascertain whether the cost of administering the programs equalled or exceeded the administrative cost allowance.

B. ELIGIBILITY

Compliance Requirement

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST SHARING OR MATCHING REQUIREMENTS

Compliance Requirement

For each fiscal year for which the institution receives an allocation of funds under the CWS or SEOG programs, it must continue to expend, on its own scholarship and student aid programs, an amount which is not less than the average expenditure per year made for that purpose during the 3 fiscal years preceding the later of the following: (1) the effective date of the current Program Participation Agreement, or (2) the fiscal year for which the institution receives or received its first allocation of funds under the CWS or SEOG program, unless specifically waived by the Secretary. (34 CFR 675.20 and 676.20)

Suggested Audit Procedures

d. Ascertain whether the institution met the requirement or the Secretary waived the expenditure requirement.

Compliance Requirement

There are matching requirements for NDSL and CWS which are addressed in those program sections.

D. PROGRAM PERFORMANCE

Compliance Requirement

The institution may make grants, loans and work-study awards only to eligible students. (34 CFR 674.9, 675.9 and 676.9)

Suggested Audit Procedures

e. See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

Compliance Requirement

The institution must submit a Fiscal Operations Report and Application to Participate in the Campus-based programs (FISAP) in order to spend money in any of the programs, either for awards to students or for administrative, collection or litigation costs. (34 CFR 674.5, 675.5, 676.5 and instructions accompanying the application section of the FISAP (ED 646)).

Suggested Audit Procedures

f. Ascertain whether the institution has established procedures to complete the application and evaluate for adequacy.

g. Review the reasonableness of the significant entries for tuition and fees, Pell, institutional and State aid, enrollment data and selected income grid cell entries and determine whether the institution followed established procedures.

h. Ascertain whether the institution made changes to FISAP entries during the edit process; evaluate supporting documentation for adequacy.

i. Trace significant data to supporting documentation.

Compliance Requirement

Using an approved system of need analysis, the institution must establish a student's financial need based on the cost of attendance at the institution, the student's expected family contribution, and other resources available to the student. (34 CFR 674.11, 675.11, 676.11, 674.12, 675.12, 676.12, 674.13, 675.13, and 676.13)

Suggested Audit Procedures

j. Ascertain the institution's procedures for establishing the cost of attendance, a student's expected family contribution, a student's other resources and, hence, a student's financial need, and determine whether the institution followed an approved system of need analysis.

k. Review selected student files and determine whether prescribed procedures were followed.

E. REPORTING REQUIREMENTS

Compliance Requirement

The appropriate Fiscal Operations Report sections of the FISAP must be completed annually for any program in which the institution has expended funds. (34 CFR 674.19, 675.19, and 676.19)

Suggested Audit Procedures

See FINANCIAL REPORTING (II) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

F. SPECIAL PROVISIONS

Special provisions are highlighted in individual program sections.

NATIONAL DIRECT STUDENT LOAN

I. PROGRAM OBJECTIVE

The objective of the National Direct Student Loan (NDSL) program is to provide long-term, low interest, deferred repayment loans to undergraduate, graduate, and professional students who demonstrate need for financial assistance in order to pursue their courses of study at postsecondary educational institutions.

II. PROGRAM PROCEDURES

Revolving loan funds are established and maintained at postsecondary educational institutions through annual applications to participate in the NDSL program. The fund at the institution is started with a Federal capital contribution (FCC) and a matching institutional capital contribution (ICC). Repayments of principal and interest are deposited to the fund as are reimbursements by the Federal government for Direct loans cancelled due to teaching or military service; new FCC and ICC may also be added. The institution, in turn, is fully responsible for administering the program: approving, disbursing and collecting the loans.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED AND UNALLOWED

Compliance Requirements

The institution may expend loan funds only for making loans or administering the loan program or other student financial aid programs in accordance with the Program Participation Agreement. (34 CFR 674.18 and 674.8)

Suggested Audit Procedure

a. Test expenditures and related records.

B. ELIGIBILITY

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST SHARING OR MATCHING REQUIREMENTS

Compliance Requirement

The institution must have deposited into the NDSL fund capital contributions equal to at least one-ninth of the Federal capital contribution. The ICC must be deposited prior to or at the same time as the FCC. (34 CFR 674.8 and 674.21)

Suggested Audit Procedures

b. Ascertain any ICC and the time of deposit.

c. Determine whether the ICC was deposited at the same time, if not earlier, than the FCC was deposited, and in the proper amount.

D. PROGRAM PERFORMANCE

Compliance Requirement

An institution may make loans only to eligible students. In addition to the general eligibility requirements, an institution may not make a loan to a student who is unwilling to repay the loan. Default on a previous loan is evidence of that unwillingness. (34 CFR 674.9)

Suggested Audit Procedures

d. See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

e. Review selected loan applications and determine whether prescribed procedures were followed.

Compliance Requirement

The promissory note used by the institution must be approved. Specific approval of an institution's note form is required only if it differs substantially from the sample promissory note form provided in the appendix to the regulations. The institution must provide full disclosure of the borrower's rights and obligations before it makes its first advance. (34 CFR 674.16 and 674.32)

Suggested Audit Procedures

f. Ascertain whether the institution is using an approved note.

g. Ascertain the institution's procedures for providing information to borrowers and evaluate for adequacy.

Compliance Requirement

The institution must exercise due care and diligence in the collecting of loans. (34 CFR 674.32, 674.34, 674.34a and Subpart C. Grace periods, deferment provisions and due diligence requirements vary depending on when the loan was made.)

Suggested Audit Procedures

h. Ascertain the institution's procedures for: tracking the enrollment status of borrowers, conducting exit interviews, maintaining contact with borrowers, billing borrowers, processing deferment and cancellation requests and payments, referring accounts to collection agencies or performing collection activities on its own, litigating loans, and assigning loans to the Department of Education. Evaluate the procedures for adequacy.

i. Review selected loan accounts and determine whether prescribed procedures were followed.

j. If the institution uses a billing service and/or collection agency, evaluate the adequacy of procedures for communicating with, monitoring and collecting funds from the service/agency.

Compliance Requirement

The institution must maintain complete repayment records for each borrower, including amounts of repayment credited to principal and interest, deferment activity, amounts of loans cancelled, and any penalty and collection charges collected. (34 CFR 674.19(d)(3), 674.34, 674.34(a), and 674.32)

Suggested Audit Procedures

k. Review selected accounts and determine whether there was supporting documentation, calculations were computed correctly using proper rates, and borrowers' accounts were adjusted timely.

l. Review selected defaulted loan accounts and determine whether the length of time in default was properly noted.

E. REPORTING REQUIREMENTS

Reporting requirements are addressed in REPORTING REQUIREMENTS (E) in the CAMPUS-BASED programs section of this audit guide.

F. SPECIAL PROVISIONS

Compliance Requirement

The institution should request new FCC only when needed, deposit any idle NDSL cash in an income-producing account, and return any excess NDSL cash to the Department. (Dear President letters dated April 1978 and July 1979, and Dear Financial Aid Administrator letter dated August 1983, and Dear Colleague letter dated December 1983.)

Suggested Audit Procedures

m. Review for adequacy the institution's procedures for estimating the capital needed to operate its NDSL program.

n. Ascertain the institution's procedures for investing idle cash, determining excess cash, and returning excess cash and evaluate for adequacy.

o. Ascertain whether the institution followed prescribed procedures and reflected any interest earned and/or FCC returned on the NDSL Fiscal Operations Report.

Compliance Requirement

Any interest earned on NDSL must be deposited in the NDSL fund. (34 CFR 674.8)

Suggested Audit Procedures

p. Ascertain whether the institution earned income on NDSL funds, and if so, whether it deposited the income in the NDSL fund.

COLLEGE WORK-STUDY

I. PROGRAM OBJECTIVES

The objectives of the College Work-Study (CWS) program are to provide part-time employment to undergraduate, graduate and professional students who need the earnings to help meet their costs of postsecondary education. The program is also intended to broaden the range of worthwhile job opportunities for qualified students.

The objective of the Job Location and Development (JLD) program is to encourage the development and expansion of off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and who desire to work.

II. PROGRAM PROCEDURES

Funds are provided to institutions upon submission of an annual application, FISAP, and in accordance with statutory and regulatory formulae. Federal CWS funds are matched with institutional funds, normally on a 4:1 ratio. Students apply directly to and are selected by the institution. The institution decides the amount of the award, places the student in a job, and pays the student or contracts to have the student paid. The institution may also use a portion of CWS funds for a Job Location and Development (JLD) program. JLD funds are available only through a CWS allocation to the institution.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED AND UNALLOWED

Compliance Requirement

The institution may use CWS funds only for awards to students, transfers to SEOG, JLD, and administrative costs. (34 CFR 675.18, 675.21, 675.26 and 675.33)

Suggested Audit Procedure

a. Test expenditures and related records.

Compliance Requirements

CWS students may be employed on-campus by non-profit-making institutions, or off-campus by written agreement with non-profit agencies, to do work the employer normally pays to have done. Whether employed on-campus or off, the student must be supervised responsibly and may not perform work (1) which involves partisan or non-partisan political activity; (2) which involves lobbying at the Federal level; (3) which involves the construction, operation or maintenance of a facility used for sectarian instruction or as a place of religious worship; (4) for ED; or (5) which displaces regular employees. (34 CFR 675.22 and 675.23)

Suggested Audit Procedures

b. Determine whether the work performed was allowable and was responsibly supervised.

B. ELIGIBILITY

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST-SHARING AND MATCHING REQUIREMENTS

Compliance Requirement

The institution or off-campus agency must pay at least 20% of compensation for work performed unless the institution has received a partial waiver of institutional matching. (34 CFR 675.25 and 675.26).

Suggested Audit Procedure

c. Ascertain whether the Secretary waived a portion of the matching requirement. If the institution has a waiver, this should be noted in the audit report.

d. Ascertain the amount of institutional and/or off-campus agency share of expenditures and evaluate timeliness of the match.

Compliance Requirement

The level of effort requirement for CWS is combined with that for SEOG and is addressed under COST-SHARING AND MATCHING REQUIREMENTS (C) in the CAMPUS-BASED programs section of this audit guide.

D. PROGRAM PERFORMANCE

Compliance Requirement

The institution may make awards only to eligible students. The institution may use up to 10% of its CWS allocation to fund less than half-time students who are otherwise eligible to receive CWS funds. (34 CFR 675.9)

Suggested Audit Procedures

e. See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

Compliance Requirement

CWS payments must be supported by time sheets and certified by a responsible official. If payroll disbursements to students are made by off-campus agencies, the institution must obtain and retain documentation of disbursements. (34 CFR 675.19 and 675.24)

Suggested Audit Procedures

f. Ascertain the institution's procedures for processing time sheets and making disbursements.

g. Review selected CWS records and evaluate for adequacy.

E. REPORTING REQUIREMENTS

Reporting requirements are addressed under REPORTING REQUIREMENTS (E) in the CAMPUS-BASED programs section of this audit guide.

F. SPECIAL PROVISIONS

If the institution uses CWS funds to establish or expand a JLD program, the program must be administered in accordance with a written agreement, and the institution must maintain appropriate records. (34 CFR 675 Subpart B)

Suggested Audit Procedures

h. Ascertain the institution's procedures for administering the JLD program and evaluate for adequacy.

i. Test expenditures and related records.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT

I. PROGRAM OBJECTIVE

The objective of the Supplemental Educational Opportunity Grant (SEOG) program is to provide grants to eligible undergraduate students.

II. PROGRAM PROCEDURES

Funds are provided to institutions upon submission of an annual application, FISAP, and in accordance with statutory and regulatory formulae. Students apply directly to the institution and are selected by the institution on the basis of need. The institution decides the amount of the grant, which can be up to $2000 but not less than $200, for an academic year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED AND UNALLOWED

Compliance Requirement

Grant monies may be used only for grants to students, transfers to the CWS program and administrative costs. (34 CFR 676.18 and 676.21)

Suggested Audit Procedures

a. Ascertain the institution's related procedures and review them for adequacy.

b. Review selected records and determine whether the institution followed established procedures.

B. ELIGIBILITY

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST-SHARING AND MATCHING REQUIREMENTS

Compliance Requirement

The level of effort requirement for SEOG is combined with that for CWS and is addressed in the COST-SHARING AND

MATCHING REQUIREMENTS (C) in the CAMPUS-BASED programs section of this audit guide. (34 CFR 676.20)

D. PROGRAM PERFORMANCE

Compliance Requirements

The institution may make grants only to eligible students; it may use up to 10% of its SEOG allocation to fund less than half-time students who are otherwise eligible to receive SEOG funds. (34 CFR 676.9 and 676.18(d))

Suggested Audit Procedures

c. See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

d. Test expenditures and related data.

E. REPORTING REQUIREMENTS

Reporting requirements are addressed under REPORTING REQUIREMENTS (E) in the CAMPUS-BASED programs section of this audit guide.

F. SPECIAL PROVISIONS

There are no special provisions.

GUARANTEED STUDENT LOAN
(Including PLUS)

I. PROGRAM OBJECTIVES

The objective of the Guaranteed Student Loan (GSL) program is to make low interest loans available to students to pay for their costs of attending postsecondary educational institutions.

The objective of the PLUS program is to make loans available to independent undergraduate students, graduate and professional students, and to the parents of dependent undergraduate students to enable the students to pay for their costs of attending postsecondary educational institutions.

NOTE: Tests of the compliance requirements are not expected to be made at the lending institutions.

II. PROGRAM PROCEDURES

The loans are made through lending institutions, but postsecondary institutions are responsible for completing portions of the loan applications, verifying student eligibility, filing Student Confirmation Reports (SCR), refunding money to lenders, when appropriate, and handling loan checks when they are sent to the educational institution rather than to the borrower.

Tests of the compliance requirements are not expected to be made at the lending institutions.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES OR PRODUCTS ALLOWED AND UNALLOWED

The auditor is not expected to make tests on allowed or unallowed services.

B. ELIGIBILITY

For institutional eligibility to participate in the programs, see INSTITUTIONAL ELIGIBILITY AND PARTICIPATION (III) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

C. COST-SHARING AND MATCHING REQUIREMENTS

There are no cost-sharing or matching requirements for this program.

D. PROGRAM PERFORMANCE

Compliance Requirement

The institution must determine student eligibility. (34 CFR 682.201, 682.605, 683.11 and 683.84)

Suggested Audit Procedures

a. See COORDINATION OF STUDENT AID PROGRAMS (IV) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

b. See STUDENT ELIGIBILITY (VI) in the GENERAL COMPLIANCE REQUIREMENTS section of this audit guide.

c. Review selected loan applications and determine whether prescribed procedures were followed.

Compliance Requirement

If the PLUS borrower is a parent, the institution must determine whether the parent is eligible to borrow on behalf of an eligible dependent undergraduate student. (34 CFR 683.11 and 683.84)

Suggested Audit Procedure

d. Review selected loan applications and determine whether prescribed procedures were followed.

Compliance Requirements

The institution is responsible for completing portions of the GSL application regarding student eligibility, the student's estimated cost of attendance, the student's estimated financial assistance and, if applicable, the expected family contribution. (34 CFR 682.605, 682.200, 682.201, GSL Family Contribution Schedules)

Suggested Audit Procedures

e. Ascertain procedures established by the institution for completion of its portion of the loan application and evaluate for adequacy.

f. Review selected loan applications and determine whether prescribed procedures were followed.

Compliance Requirement

The institution must follow prescribed procedures for handling loan checks which vary depending on whether the student does or does not enroll, and whether the check is

made out to the student only, or jointly to the student and the institution, and whether the check is sent directly to the student or to the institution for credit to the student's account. (34 CFR 682.607)

Suggested Audit Procedures

g. Ascertain procedures established for handling loan checks and evaluate for adequacy.

h. Review selected loan recipient records and determine whether prescribed procedures were followed.

Compliance Requirements

When an institution becomes aware that (1) a full-time student to whom a PLUS loan was made ceased to be enrolled full-time or (2) a student who received a PLUS loan or for whom a PLUS loan was received failed to enroll at least half-time for the period for which the loan was intended, the institution should immediately report the information to the lender. (34 CFR 683.91)

Suggested Audit Procedures

i. Ascertain the institution's procedures for reporting enrollment changes to the lender.

j. Review selected PLUS records and determine whether established procedures were followed.

E. REPORTING REQUIREMENTS

Compliance Requirement

The institution must submit Student Confirmation Reports (SCR) periodically. (34 CFR 682.612)

Suggested Audit Procedures

k. Ascertain procedures established by the institution for completion of SCRs and evaluate for adequacy.

l. Obtain copies of SCRs and review for completeness and timeliness of submission.

m. Trace significant data to the supporting documentation.

Compliance Requirement

The institution should report a change in a student's enrollment status directly to the lender or guarantee agency if a student has graduated, withdrawn, or ceased

to be enrolled at least half-time and the change is (i) one which would normally be reported on an SCR and (ii) the school does not expect to submit its next SCR to the Secretary within the next 60 days. (34 CFR 682.609 and 682.612)

Suggested Audit Procedures

n. Ascertain procedures established by the institution for reporting enrollment changes directly to the lender or guarantee agency.

o. Review selected loan recipient records and determine whether established procedures were followed.

F. SPECIAL PROVISIONS

There are no special provisions.

SECTION III

REPORTING

REPORTING REQUIREMENTS

The audit report should be issued to the institution's governing body and/or President, as appropriate. The institution shall transmit four copies of the audit report to the appropriate Department of Education Regional Inspector General for Audit (See Appendix B).

The reporting requirement depends on the approach that was taken in performing the SFA audit. (See Section I - Audit Approach).

If the SFA audit was performed in conjunction with the audit of the basic financial statements and an opinion is being expressed thereon, the following four interrelated reports should be issued and include:

(a) The entity's basic financial statements and the auditor's report thereon and a supplementary schedule showing the total disbursements and expenditures for each SFA program (including loan activity) together with the auditor's report on the supplementary schedule.

(b) An auditor's report on the study and evaluation of internal accounting control performed as part of the audit of the basic financial statements, including any material weaknesses identified as a result of the evaluation.

(c) An auditor's report containing (1) the auditor's conclusions, based on the Department of Education's criteria concerning the adequacy of the procedures studied as set forth in Section II of the Student Financial Assistance Audit Guide, with an exception regarding any material weaknesses in the corresponding administrative control systems, and (2) a statement of positive assurance with respect to those items tested for compliance with the applicable laws and regulations, including the laws and regulations pertaining to financial reports and claims to ED for advances and reimbursements, and negative assurance on those items not tested . It shall also contain comments on all instances of noncompliance and instances or indications of fraud, abuse, or illegal acts found during or in connection with the audit. The comments should include

an identification of all questioned cost, if any, as a result of noncompliance, fraud, abuse, or illegal acts for each SFA program, without regard to whether a condition giving rise to the questioned cost has been corrected and/or the recipient entity does or does not agree with the finding or questioned costs. In addition, the comments should contain adequate information necessary to facilitate the audit resolution process (i.e., number of items tested, size of the universe, error rate, corresponding dollar amounts, etc.)

(d) An auditor's comments on audit resolution matters. The auditor will indicate the status of findings reported in prior year audits. For prior audits closed by the Office of Student Financial Assistance (OSFA) during the audit period, the auditor should determine whether reimbursements were made by the institution for any questioned expenditures which were upheld by OSFA and whether other required actions were taken as stated in the ED final letter of determination. If there were no prior findings and recommendations, the auditor should so state.

(2) If the SFA audit was not performed in conjunction with the audit of the basic financial statements, the following four interrelated reports should be issued and include:

(a) The entity's statement of changes in the SFA programs fund balances (prepared in accordance with SAS No. 14, Special Reports and its related interpretations) and the auditor's report thereon and a supplementary schedule showing the total disbursements and expenditures for each SFA program (including loan activity) together with the auditor's report on the supplementary schedule.

(b) An auditor's report on the study and evaluation of internal control performed as part of the audit of the statement of changes in fund balances, including any material weaknesses identified as a result of the evaluation.

(c) An auditor's report on compliance (same as (c) above).

(d) An auditor's comments on audit resolution matters (same as (d) above).

The four parts of the audit report may be bound into a single report, or simultaneously submitted as separate documents.

SELECTED SAMPLE REPORTS

Depending on the reporting approach being used, the basic financial statements or the statement of changes in SFA program fund balance and all other required reports, statements and schedules should be prepared in accordance with generally accepted accounting principles. If the basis of accounting is not GAAP, then that basis should be stated in the auditor's report.

The following sample reports and schedules are included to assist the auditor:

1. Auditor's Report on the Basic Financial Statements and Supplementary Schedule of Disbursements and Expenditures for each SFA Program.

2. Auditor's Report on Statement of Changes in SFA Program Fund Balances and Supplementary Schedule of Disbursements and Expenditures for each SFA Program.

3. Statement of Changes in SFA Program Fund Balances.

4. Notes to Statement of Changes in SFA Program Fund Balances.

5. Schedule of Disbursements and Expenditures for each SFA Program.

6. Auditor's Report on Internal Accounting Control Based Solely on a Study and Evaluation Made as Part of an Audit of the Financial Statements (Basic Financial Statements or Statement of Changes on SFA Program Fund Balances) in accordance with generally accepted auditing standards.

7. Auditor's Comments on Compliance.

8. Auditor's Comments on Audit Resolution Matters Relating to the SFA Programs.

ILLUSTRATIVE

AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF DISBURSEMENTS AND EXPENDITURES FOR EACH SFA PROGRAM

We have examined the balance sheet of the (Institution) as of (Date) and the related statements of changes in fund balances and current funds, revenues, expenditures and other changes for the year/two year period then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the (Institution) as of (Date), the changes in its fund balances and its current funds, revenues, expenditures and other changes for the year/two year period then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedule of disbursements and expenditures for each SFA program for the year/two year period ended (Date), is presented for purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the examinations of the financial statements of the (Institution), and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

NOTE: The opinion should be qualified as necessary under the circumstances.

ILLUSTRATIVE

AUDITOR'S REPORT ON STATEMENT OF CHANGES IN SFA PROGRAM FUND BALANCES AND SUPPLEMENTARY SCHEDULE OF DISBURSEMENTS AND EXPENDITURES FOR EACH SFA PROGRAM

We have examined the accompanying statement of changes in SFA program fund balances of the (Institution) for the year/two year period ended (Date). Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying statement was prepared for the purpose of complying with the audit requirement relating to the Student Financial Assistance Programs of the U.S. Department of Education and is limited to activities related to these programs.

In our opinion, the statement referred to above presents fairly the changes in SFA program fund balances of the (Institution) for the year/two year period ended (Date) in conformity with generally accepted accounting principles[1/] applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the accompanying statement of changes in SFA program fund balances taken as a whole. The information included in the supplementary schedule of disbursements and expenditures for each SFA program for the year/two year period ended (Date), is presented for purposes of additional analysis and is not a required part of the accompanying statement of changes in SFA program fund balances. The information has been subjected to the auditing procedures applied in the examination of the accompanying statement of changes in SFA program fund balances of the (Institution), and in our opinion, is fairly stated in all material respects in relation to the accompanying statement taken as a whole.

1/ If the statement of changes in SFA program fund balances are prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles, this report would be modified in accordance with paragraphs .02-.08 of SAS No. 14, Special Reports.

ILLUSTRATIVE

Statement of Changes in SFA Program Fund Balances
June 30, 19XX

	Grants and College Work Study			Student Loans	Total
	Pell	SEOG	CWS	NDSL	
Fund Balances - 6/30/XX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Additions:					
Federal awards	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Other	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
TOTAL ADDITIONS	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Deductions:					
Grants	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Wages	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Amounts returned to government	XXX,XXX	XXX.XXX	XXX,XXX	XXX,XXX	XXX,XXX
Loan cancellations	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Provisions for doubtful loans	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Administrative expenses	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
TOTAL DEDUCTIONS	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Other charges:					
Institution matching grant	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Principal and interest	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Transfers among programs	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
TOTAL OTHER CHANGES	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Net increase (decrease) in fund balances	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Fund balances - 6/30/XX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX

See accompanying notes to Statement of Changes in Student Financial Assistance Program Fund Balances.

ILLUSTRATIVE

Notes to Statement of Changes in SFA Program Fund Balances

June 30, 19XX

(1) Basis of Presentation

The accompanying statement of changes in SFA program fund balances (Statement) has been prepared in accordance with generally accepted accounting principles and the format as set forth in the publication, Audit Guide for Student Financial Assistance Programs. The purpose of the Statement is to present, in summary form, SFA activities of the (Institution) for the year/two year period ended June 30, 19XX, which have been financed by the U. S. Department of Education. Except as described in the following paragraph, generally accepted accounting principles are in agreement with the accounting practices prescribed for such programs by the Department of Education's fiscal control and fund accounting procedures.

The prescribed practices for the NDSL Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are cancelled or written-off in conformity with NDSL Program requirements. These practices do not conform with generally accepted accounting principles.

In order to fully disclose the financial position of the NDSL loan fund, an allowance for doubtful loans and an amount for accrued interest receivable was reported in the Statement; however, the amounts are not included in the data submitted to the Department of Education on the Fiscal Operations Report for the NDSL Program.

Because the Statement presents only a selected portion of the activities of the Institution, it is not intended to and does not present either the financial position, changes in fund balances or the current funds, revenues, expenditures, and other changes in fund balances of the institution.

ILLUSTRATIVE

SCHEDULE OF DISBURSEMENTS AND EXPENDITURES FOR EACH SFA PROGRAM For The Period (Date)

Disbursements	Year ended June 30 19X1	19X2
National Direct Student Loan Program	xxx	xxx
Expenditures		
College Work-Study Program	xxx	xxx
Supplemental Educational Opportunity Grant Program	xxx	xxx
Pell Grant Programs	xxx	xxx

This schedule should be prepared on the accrual basis of accounting, or appropriate disclosure should be made.

ILLUSTRATIVE

AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL BASED SOLELY ON A STUDY AND EVALUATION MADE AS PART OF AN AUDIT REQUIRED FOR THE SFA PROGRAMS OF THE U.S. DEPARTMENT OF EDUCATION

We have examined the (Financial Statements) of the (Institution) for the year/two year period ended (Date), and have issued our reports thereon dated (Date). As part of our examination, we made a study and evaluation of the system of internal accounting control of the (Institution) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories (identify control categories).

Our study included all of the control categories listed above except that we did not evaluate the accounting controls over (identify any category not evaluated) because (state reasons for excluding any category from the evaluation). The purpose of our study and evaluation was to determine the nature, timing, and extent of performing the auditing procedures necessary for expressing an opinion on the entity's (Financial Statements). Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of (Institution) is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evalution of the system to future periods is subject to the risk that

procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the (Institution) taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the (Financial Statements) of the (Institution) may occur and not be detected within a timely period.[1] (A description of the material weaknesses that have come to the auditor's attention would follow.)[2]

These conditions were considered in determing the nature, timing, and extent of the audit tests to be applied in our examination of the (Financial Statements) for the year/two year period ended (Date), and this report does not affect our report on the (Financial Statements) dated (Date).

This report is intended solely for the use of management and the U.S. Department of Education and should not be used for any other purpose.

---

[1] If the study and evaluation discloses no material weaknesses, this sentence would state, "However, our study and evaluation disclosed no condition that we believe to be a material weakness," and the following paragraph of this report that begins, "These conditions..." would be omitted.

[2] All material weaknesses that have come to the auditor's attention during the audit would be described, whether or not they relate to a category of controls that was excluded from the study and evaluation. SAS No. 20, Required Communication of Material Weaknesses in Internal Accounting Control, paragraph 3, notes that the auditor may become aware of material weaknesses through the preliminary review of the system or by performing substantive tests of account balances.

ILLUSTRATIVE

AUDITOR'S COMMENTS ON COMPLIANCE

Approach #1 - The Basic Financial Statements Have Been Audited

An illustrative example of this report follows:

The Board of Trustees
Name of Institution

We have examined the accompanying financial statements of (the institution) as of and for the year/two year period ended June 30, 19XX, and have issued our report thereon dated November 15, 19XX. As part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by (the institution) to administer and account for Student Financial Assistance Programs in accordance with the significant administrative requirements of the Department of Education's (Education) March 1984 Audit Guide for Student Financial Assistance Programs (Guide) Section II and the following compliance requirements:

I CASH MANAGEMENT

II FINANCIAL REPORTING

III INSTITUTIONAL ELIGIBILITY AND PARTICIPATION

IV COORDINATION OF STUDENT AID PROGRAMS

V STUDENT FILE MAINTENANCE FISCAL PROCEDURES AND RECORD KEEPING

VI STUDENT ELIGIBILITY

VII INSTITUTIONAL DISBURSEMENTS TO AWARD RECIPIENTS

VIII REFUND CALCULATION AND OVERPAYMENT DETERMINATION PROCEDURES

° Other Compliance Requirements Specific to Each SFA Program.

We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by Education to be adequate for its purposes in accordance with the provisions of The Higher Education Act as amended. Based on this understanding and our study and evaluation, we believe the institution's procedures and systems were adequate for Education's purposes, except for

the conditions described (refer to appropriate section of the report) which we believe are material weaknesses in relation to the SFA awards to which this report refers. In addition to these weaknesses, other conditions that we believe are not in conformity with the criteria referred to above are described (refer to appropriate section of report).

In addition, our examination also included test of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section II-Compliance Requirements of the Guide. Based upon our examination, we found that for the items tested, the institution complied with the material terms and conditions of the SFA award agreements except as described in the Findings and Recommendations - Specific Compliance Matters section of this report.

Further, based on our examination and the procedures referred to above, except as discussed in the preceding paragraph, nothing came to our attention to indicate that (the Institution) had not complied with the material terms and conditions (identified in the first paragraph above) of (the Insitution's) SFA programs.

This report is intended solely for the use of the Institution, the cognizant audit agency and other Federal audit agencies and should not be used for any other purpose.

Approach #2 - <u>If the Basic Financial Statements Have Not Been Audited or the Institution Chooses this Reporting Approach</u>:

The first sentence of the example report for Approach 1 would be revised to state:

> We have examined the accompanying statement of changes in SFA program fund balances of the (Institution) for the year/two year period ended June 30, 19XX, and have issued our report thereon dated November 15, 19XX.

The remainder of the example report for Approach 1 would remain the same.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Should be Attached to Auditor's Comments on Compliance)
SAMPLE FINDINGS

Finding No. 1 APPLICATION AND FISCAL OPERATIONS REPORT (ED FORM 646)

a) Cash on Hand and in Depository as reported in Part IV, NDSL, did not agree with the general ledger and the bank statement. Cash was reported as $200,000, whereas the institution's books and records showed a balance of $150,000. The discrepancy was the result of the institution transferring $50,000 of NDSL funds into its operating account.

Recommendation

Refund immediately $50,000 to the NDSL fund.

College's Comment

The institution reimbursed $50,000 to the NDSL fund.

b) The SEOG Disbursements in Part IV should have been reported as $85,250 instead of $95,250. This was a result of a posting error.

Recommendation

Submit promptly a corrected ED Form 646.

College's Comment

Officials concur and have submitted a corrected copy of ED Form 646.

c) The data pertaining to eligible aid applicants on the Income Grid section of Part II was not properly supported, documented, or reliable. The supporting documentation for the reported totals consisted only of tick marks recorded on a tally sheet. Individual students included in the totals were not identified, which precluded verification that the students reported in the Income Grid met the criteria for inclusion. Subsequently, the Financial Aid Office reconstructed the data included in the Income Grid, reported a decrease of 213 eligible aid applicants, corrected income categories for 30 students, and changed the status of 14 students from independent to dependent.

Recommendations

1) Submit a corrected ED Form 646, Part II, Section F.

2) Improve procedures to assure that data reported are reliable, properly supported, and documented.

College's Comments

College officials stated that they did not have a clear understanding of the importance of this section of ED Form 646. They concurred and are in the process of implementing the recommendations.

Finding No 2 - PROGRESS REPORT (ED FORM 255-3)

The regularly scheduled Progress Reports, ED Form 255-3, which may be submitted as early as the first of the appropriate month but no later than November 15, March 15, or July 15, were not submitted timely. In addition, the Validation Roster (ED Form 255-4) had been received but the institution had not returned the roster within the 30 day period. The institution's source of data used in preparing these reports was not properly maintained to assure that reports were submitted timely.

Recommendation

Improve administrative and accounting procedures so that all required reports will be submitted timely.

College's Comments

The institution recognizes that a weakness exists in administrative and accounting procedures and has taken the necessary steps to improve its recordkeeping capabilities.

Finding No. 3 - SATISFACTORY ACADEMIC PROGRESS

The institution has not implemented its published standards of satisfactory academic progress. As a result, Title IV funds of $20,750 have been disbursed to ineligible students. A review of academic records of 50 randomly-selected financial aid recipients (universe: 250) disclosed that 16 recipients were not maintaining satisfactory progress based on the institution's standards.

8 students had not achieved the minimum grade point average as stated in the standards.

4 full-time students have been enrolled in school for the past 4 years and are still classified as 2nd year students.

3 full-time students had attended 2 years longer than the time frame allowed for completion of their studies.

1 student had completed only 13 of 45 credit hours attempted in the last 3 quarters.

These students' academic records did not meet the institution's standards which properly incorporated these components: 1) qualitative measure (e.g., grades or point average); 2) a quantitative measure (e.g., a number of credit hours to be completed each payment period, term or academic year--this addresses progress for the time the student is enrolled); and 3) a time frame for completion of a degree, diploma or certificate program.

Recommendation

1) Enforce the standards of satisfactory academic progress.

2) Refund $20,750 to the appropriate program funds and revise the Federal financial reports to reflect the repayments.

Institution's Comments

According to college officials the standards of satisfactory academic progress had not been implemented because of lack of staff. They agreed that the 16 students had not maintained satisfactory academic progress in accordance with the standards and plan to implement the recommendations immediately.

Finding No. 4 - DUE DILIGENCE

The institution has not complied with the requirements for due diligence of the NDSL program. No follow ups have been performed on accounts over 120 days delinquent; and not one account has been litigated even though there are 305 borrowers in default. The excessive default rate of 21 percent probably could be reduced if litigation and follow-up procedures were performed.

Recommendations

1) Establish and implement procedures to follow up on delinquent accounts and, if warranted, refer these accounts to collection agencies or perform collection activities with its own personnel.

2) Litigate borrowers in default where collection efforts have failed and who meet the criteria for litigation.

Institution's Comments

Concurred with our recommendations of following up on delinquent accounts and reviewing loans in default for possible litigation actions.

Finding No. 5 - EXCESS CASH BALANCE

A cash balance of $200,000 was accumulated in the NDSL fund, and none of the cash was deposited in an interest-bearing account or an income-producing account. The institution estimated that during the next fiscal year disbursements to award recipients would be $50,000; other expenditures, $10,000; and collections and other income, $30,000. Based on the procedures in the Dear President's letter dated July 1979, the school would have excess cash during the next year.

Recommendations

1) Return the Federal share of excess cash to the Department of Education in accordance with the Dear President's letter.

2) Review the cash in its NDSL fund at least annually, following the procedures outlined in the Dear President's letter.

3) Deposit idle cash which is not needed for a period of time in an income-producing account, retaining income earned in the Loan Fund.

Institution's Comments

Officials concur and have returned the excess cash to the Department of Education.

Finding No. 6 - REFUNDS

Although the institution has a refund policy, refunds have not been made to the students who were due refunds because the institution did not have an established procedure for the Registrar's Office to notify the Student Financial Aid Office of withdrawals. Consequently, no refunds have been allocated to the Title IV programs. Twenty students were due refunds, and $3,000 should have been returned to the Title IV programs.

Recommendations

1) Establish procedures to implement the institution's refund policy.

2) Allocate $3,000 to the appropriate Title IV programs.

Institution's Comments

Concurred and had implemented the recommendations soon after our examination was completed.

Finding No. 7 - REPORTING REQUIREMENTS - GSL

The institution had not reported the change in students' status to the guarantee agency or the lender because no procedures had been established. Our review disclosed that 5 students had withdrawn and 2 had ceased to be enrolled at least one-half time.

Recommendation

We recommend that the institution establish and implement procedures to comply with the reporting requirements to lenders or guarantee agencies.

Institution's Comments

Officials concurred and established procedures as recommended.

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO THE SFA PROGRAMS

The institution has taken corrective action on findings from prior audit reports, ACN # xxx, and title:

Finding No. 1	-	The required documentation with regard to financial aid transcripts was not obtained for students receiving aid who have attended other eligible institutions.
Action Taken	-	On March 10, 1983, the institution reimbursed $15,350 to the appropriate programs, resulting from non-compliance with program regulations.
Finding No. 2	-	
Action Taken	-	

All findings from the previous audit report must be included. Where adequate corrective action has not been taken and the finding is reported again in either of the findings and recommendations sections of the current report, the auditor need only briefly describe the prior finding and show the page reference where it is included in this current report.

If there were no prior findings and recommendations, include a note to that effect in this section.

REFERENCE MATERIALS

The publications listed below can be used for verification and reference purposes in auditing the programs. The institutions should have copies of these materials. Auditors should use the reference material applicable to the period under audit.

General Provisions

1. Federal Register, December 31, 1980, Vol. 45, No. 252, 34 CFR 668: Student Assistance General Provisions.

2. Federal Register, January 21, 1981, Vol. 46, No. 13, 34 CFR 674, 675, 676, 682, 683, and 690: Cost of Attendance and Treatment of Bankruptcy Regulation.

3. Federal Register, April 11, 1983, Vol. 48, No. 70, 34 CFR 668: Student Assistance General Provisions. (Implementation date: October 1, 1983.)

4. Federal Register, October 6, 1983, Vol. 48, No. 195, 34 CFR 668 and 690: Student Assistance General Provisions and Pell Grant Program.

5. Student Financial Aid Handbook(s) for the year(s) audited. (Source: Department of Education, Office of Student Financial Assistance, P.O. Box 84, Washington, D.C. 20044).

6. Dear Colleague Letters and Q and A Newsletters (Source: Department of Education, Office of Student Financial Assistance, P.O. Box 84, Washington, D.C. 20044)

Pell Grant Program

1. Federal Register, December 30, 1980, Vol. 45, No. 251, 34 CFR 690: Pell Grant Program.

2. Federal Register, May 13, 1982, Vol. 47, No. 93, 34 CFR 690: Cost of Attendance July 1, 1982 through June 30, 1983.

3. Federal Register, October 28, 1982, Vol. 47, No. 209, 34 CFR 690: Pell Grant Program.

4. Pell Grant Validation Procedures Handbook for the year(s) audited. (Source: Department of Education, Office of Student Financial Assistance, P.O. Box 84, Washington, D.C. 20044)

5. Payment Schedule for the Applicable Award Year.

6. RDE Manual (Tape Exchange; not applicable for all institutions)

Campus-based Programs

1. Federal Register, January 19, 1981, Vol. 46, No. 12, 34 CFR, 674, 675, and 676: National Direct Student Loan Program, College Work-Study Program, and Supplemental Educational Opportunity Grant Program.

   Note: This is the most recent comprehensive set of regulations covering NDSL. Refer to earlier regulations for loans made prior to October 1, 1980.

2. Federal Register, July 30, 1982, Vol. 47, No. 147, 34 CFR 674, 675 and 676: National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grant Program, technical amendments and corrections.

3. Federal Register, August 2, 1982, Vol. 47, No. 148, 34 CFR 674, 675, and 676: National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grant Program, Funding Regulations.

4. Federal Register, June 15, 1982, 34 CFR 674, 675 and 676: Approved List of Need Analysis Systems for Award Year 1982-83 for Awards to Students under the NDSL, CWS and SEOG programs.

5. Federal Register, April 15, 1983, 34 CFR 674, 675, and 676: Approved Systems of Need Analysis for Academic Year 1983-84.

6. Federal Registers or other published lists of schools with students from low-income families - used to determine National Direct and Defense Loan teacher cancellations.

7. Collection Manual, NDSL Program, November 1979, (Source: Department of Education, Office of Student Financial Assistance, P.O. Box 84, Washington, D.C. 20044).

8. Student Loan Collection Procedures, National Association of College and University Business Officers. (Source: NACUBO, One Dupont Circle, Suite 510, Washington, D.C. 20036; Price $10.00 if not an NDSL participant. NDSL participant no charge).

9. NDSL Cancellation, Postponement, Deferment Guide, June 1980. (Source: Department of Education, Office of Student Financial Assistance, P.O. Box 84, Washington, D.C. 20044).

10. Dear President letters dated April 1978 and July 1979 and Dear Financial Aid Administrator letters dated August and December 1983. (Regional Office of Student Financial Assistance).

Guaranteed Student Loan Program (GSL) including PLUS

1. Federal Register, September 17, 1979, Vol. 44, No. 181, 34 CFR 682: Subparts A, B, and F, Guaranteed Student Loan Program.

2. Federal Register, January 16, 1981, Vol. 46, No. 11, 34 CFR 682: Guaranteed Student Loan Program, Refund of Tuition Charges and Other Fees.

3. Federal Register, April 21, 1982, Vol. 47, No. 77, 34 CFR 683: PLUS Program Regulations.

4. Federal Register, May 3, 1982, Vol. 47, No. 85, 34 CFR 682: Guaranteed Student Loan Program, Amended Family Contribution Schedule for the period July 1, 1982 through June 30, 1983.

5. Federal Register, April 1, 1983, Vol. 48, No. 64, 34 CFR 682: Family Contribution Schedule for the Guaranteed Student Loan Program for 1983-84 and 1984-85.

6. GSL Bulletin S-32, October 1981.

General Reference

1. Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the Comptroller General of the United States, 1981 Revision. (Source: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 - Stock No. 020-000-00205-1)

2. AICPA Professional Standards, (Source: American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, New York 10036)

3. The Blue Book: Accounting, Recordkeeping, and Reporting By Postsecondary Educational Institutions For Federally-Funded Student Financial Aid Programs, (Published October 1981) (Source: ED, OSFA, Division of Training and Dissemination, ROB-3, 400 Maryland Avenue, S.W., Washington, D.C. 20202)

4. Institute Guide for Financial Aid Self-Evaluation, NASFAA, (Updated) (Source: National Association of Student Financial Aid Administrators, 1776 Massachusetts Avenue, N.W., Suite 100, Washington, D.C. 20006)

5. ED Payment System Users Manual, (Published March 1982) (Source: Director, Division of Policy Systems and Procedures, Department of Education, Financial Management Service, 400 Maryland Avenue, S.W. Washington, D.C. 20202)

REGIONAL INSPECTORS GENERAL FOR AUDIT

Regions		States Covered
I	Regional Inspector General for Audit Department of Education/OIG JW McCormack Post Office & Court House (Room 512) Boston, MA 02109 617-223-1408	Connecticut, Maine, Massachusetts, New Hampshire, Vermont, Rhode Island
II	Regional Inspector General for Audit Department of Education/OIG 26 Federal Plaza (Room 3739) New York, NY 10278 212-264-8442	New York, New Jersey, Puerto Rico, Virgin Islands
III	Regional Inspector General for Audit Department of Education/OIG PO Box 13716 Philadelphia, PA 19101 215-596-0262	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia
IV	Regional Inspector General for Audit Department of Education/OIG PO Box 1598 Atlanta, GA 30301 404-221-5862	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
V	Regional Inspector General for Audit Department of Education/OIG 300 South Wacker Drive (Room 1302) Chicago, Ill 60606 312-886-6503	Illinois, Indiana, Minnesota, Michigan, Ohio, Wisconsin

REGIONAL INSPECTORS GENERAL FOR AUDIT

Regions		States Covered
VI	Regional Inspector General for Audit Department of Education/OIG 1200 Main Tower (Room 1420) Dallas, TX 75202 214-767-3826	Arkansas, Louisiana, New Mexico, Oklahoma, Texas
VII	Regional Inspector General for Audit Department of Education/OIG 324 East 11th Street (10th Floor) Kansas City, Missouri 64106 816-374-7101	Iowa, Kansas, Missouri, Nebraska
VIII	Regional Inspector General for Audit Department of Education/OIG 1185 Federal Office Building 1961 Stout Street (Room 1380) Denver, Colorado 80294 303-837-2385	Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
IX	Regional Inspector General for Audit Department of Education/OIG 50 United Nations Plaza, Room 304 San Francisco, CA 94102 415-556-2711	Arizona, California, Hawaii, Nevada
X	Regional Inspector General for Audit Department of Education/OIG 2901 Third Avenue (M/S 105) Seattle, Washington 98121 206-442-0657	Alaska, Idaho, Oregon, Washington

OFFICE OF STUDENT FINANCIAL ASSISTANCE
REGIONAL AND HEADQUARTERS PROGRAM CONTACTS

Regions

I Regional Administrator
Student Financial Assistance Programs
JW McCormack Post Office and Courthouse Building, Rm 510
Post Office Square
Boston, MA 02109
617-223-7205

II Regional Administrator
Student Financial Assistance Programs
26 Federal Plaza
New York, NY 10278
212-264-4045

III Regional Administrator
Student Financial Assistance Programs
PO Box 13716
Philadelphia, PA 19101
215-596-1018

IV Regional Administrator
Student Financial Assistance Programs
PO Box 1692
Atlanta, GA 30301
404-242-5008

V Regional Administrator
Student Financial Assistance Programs
300 South Wacker Drive
Chicago, Ill 60606
312-886-9022

Regions

VI Regional Administrator
Student Financial Assistance Programs
1200 Main Tower Building, Room 1645
Dallas, Texas 75202
214-767-4359

VII Regional Administrator
Student Financial Assistance Programs
324 East 11th Street - 18th Floor
Kansas City, Missouri 64106
816-374-5875

VIII Regional Administrator
Student Financial Assistance Programs
1961 Stout Street - 3rd Floor - FOB
Denver, Colorado 80294
303-837-4128

IX Regional Administrator
Student Financial Assistance Programs
50 United Nations Plaza
San Francisco, CA 94102
415-556-8159

X Regional Administrator
Student Financial Assistance Programs
Mail Stop - 102
2901 3rd Avenue
Seattle, Washington 98121
206-442-0434

HEADQUARTERS

Audit Review Branch
Division of Certification and Program Review/OSFA
P.O. Box 23800, L'Enfant Plaza Station
Washington, D.C. 20026
202-245-1835

☆U.S. GOVERNMENT PRINTING OFFICE: 1984 421 054 4230